



Use of the Purchase Card and Related Alternative Payment Methods

**United States
Department of
Agriculture**

**Office of Procurement
And Property Management**

DR 5013-6

DRAFT

USDA Use of the Purchase Card and Related Alternative Payment Methods

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U.S. DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. 20250

DEPARTMENTAL REGULATION		Number: 5013-6
SUBJECT: Use of the Purchase Card and Related Alternative Payment Methods	DATE: November 26, 2008	
	OPI: Office of Procurement & Property Management	

1. PURPOSE

This regulation prescribes policies and procedures for use of the purchase card and alternative payment methods, including convenience checks, pre-paid cards, declining balance cards, and cardless accounts for obtaining supplies and services in accordance with Federal procurement laws. The *Coordinators' Purchase Card Program Guide* and *Cardholder's Purchase Card Program Guide* are subordinate to and supplement this regulation; they provide the details supporting policies established by this regulation. All documents pertaining to the USDA Charge Card Program can be accessed through the USDA Procurement home page at <http://www.usda.gov/procurement/card/guide.htm>.

2. PROGRAM OBJECTIVES

The Purchase Card Program reduces administrative costs and allows agencies to procure supplies and services faster through the use of purchase cards and related alternative payment methods (declining balance cards, pre-paid cards, convenience checks, or cardless accounts). Departmental Regulation (DR) 5013-6, along with supplementing guidance in the *Coordinators' Purchase Card Program Guide* and the *Cardholder's Purchase Card Program Guide*, establish USDA policies and procedures for use of purchase cards and related alternative payment methods. Management of the purchase card accounts and program will be accomplished through utilization of USDA's SmartPay®2 bank vendor's electronic access system (EAS). USDA's bank vendor under SmartPay®2 is US Bank.

3. APPLICABILITY

This regulation is applicable to all USDA activities with delegated procurement authority or that are serviced by agencies with delegated procurement authority.

4. POLICY

Pursuant to Executive Order (EO) 12931, it is the policy of USDA that the purchase card will be used for supply and/or service procurements valued at or below the micro-purchase threshold (FAR 2.101). These purchases are known as "micro-purchases".

Warranted contracting personnel may use the purchase card and related alternative payment methods to process procurement actions up to the single and monthly purchase limits and under contracts up to their single purchase limits provided:

- a. All applicable clauses for acquisitions above the micro-purchase threshold are incorporated in the contracting instruments.
- b. Appropriate contractual arrangements are reflected in the contract document/file.

In the event a vendor will not accept the purchase card, related alternative payment methods may be used to acquire the supply or service. For convenience checks, the Debt Collection Improvement Act ((DCIA) Public Law No. 104-134) waiver criteria must be satisfied. Convenience checks are limited to \$2,500 except in a bona fide emergency.

If deemed necessary to supplement this DR, agencies must submit to the USDA Charge Card Service Center (CCSC), Office of Procurement and Property Management (OPPM), a copy of the agency's proposed augmentation to this regulation and receive approval from OPPM prior to implementation. It is USDA policy, consistent with the Regulatory Reform Initiative, to limit supplementation to this regulation.

5. CANCELLATION

This regulation revises and cancels DR 5013-6, dated February 13, 2003.

6. ACRONYMS

AO	Approving Official
APC	Agency Program Coordinator
AGAR	Agriculture Acquisition Regulation
AGPMR	Agriculture Property Management Regulation
CCSC	Charge Card Service Center

CO	Contracting Officer
DCIA	Debt Collection Improvement Act
DEA	Drug Enforcement Administration
DPM (formerly DPC)	Departmental Program Manager
DR	Departmental Regulation
EAS	Electronic Access System
EFT	Electronic Funds Transfer
EO	Executive Order
FAR	Federal Acquisition Regulation
FMR	Federal Management Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
FPMR	Federal Property Management Regulation
FPOC	Financial Point of Contact
IDIQ	Indefinite-delivery/Indefinite-quantity
LAPC	Local Agency Program Coordinator
NFC	National Finance Center
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPM	Office of Procurement and Property Management
SPE	Senior Procurement Executive
UNICOR	Federal Prison Industries, Inc.
USDA	United States Department of Agriculture

7. DEFINITIONS

- a. AbilityOne Program (formerly Javits-Wagner-O'Day Act Program).** This Act, 41 U.S.C. §46 et. seq., established the AbilityOne Program, which generates jobs and training opportunities for people who are blind or who have other severe disabilities, through the federal procurement process. For a current AbilityOne product and service listing, log onto their home page at <http://www.abilityone.gov>. AbilityOne products can also be acquired on-line through the USDA Acquisition Toolkit at <http://www.usda.gov/procurement/> and through AbilityOne at <http://www.jwod.com>.
- b. Abuse.** Abuse is use of government charge card to buy authorized items, but at terms (e.g., price, quantity) that are excessive, for a questionable government need, or both. Although intended for government use, these transactions are also considered improper because they are not permitted by law, regulation, or government/agency policy. Examples of such transactions would include purchase of items such as a day planner costing \$300 rather than one costing \$45; split purchases made to circumvent a cardholder's single purchase limit or to avoid the need to obtain competition in purchases over \$3,000; and year-end or other bulk purchases of computer and electronic equipment for a questionable government need.

- c. **Access Online®.** US Bank's electronic access system used for establishing and managing card accounts, including account reconciliation and purchase approval by cardholders and AO under the GSA-awarded master contract, SmartPay2®.
- d. **Accountable/Sensitive Property.** All real property, all leased personal property regardless of acquisition cost, and all owned personal property having an acquisition cost of \$5,000 or more and any item valued at less than \$5,000 but determined by an Agency Property Management Officer to be sensitive.
- e. **Alternative Payment Methods.** These are payment methods available for use when the merchant does not accept the purchase card. These methods include the pre-paid cards, declining balance cards, convenience checks, and cardless accounts. Pre-paid and declining balance cards are also known as debit cards. The same rules and regulations that apply to the purchase card also apply to alternative payment methods when these methods are used to pay for supplies and services.
- f. **Alerts.** Alerts are messages to users regarding questionable transactions and transactions selected by statistical sampling for review and other events, as defined by the USDA CCPO. Some alerts will trigger a set of questions that must be answered to verify the validity of a specific transaction. Alerts are developed to reduce fraud, waste, and abuse.
- g. **Approving Official (AO).** These individuals may be classified as a supervisor/manager and are responsible for ensuring that the purchase card and related alternative payment methods are used properly by the cardholder. The AO also authorizes cardholder purchases (for official use only) and ensures that the transactions are reconciled in a timely manner.
- h. **Biobased Product.** Biobased product means "a commercial or industrial product (other than food or feed) that utilizes biological products or renewable domestic agricultural (plant, animal, and marine) or forestry materials." (EO 13423).
- i. **Cardless Account.** An established account without a physical card.
- j. **Construction Services.** Construction, alteration, or repair (including dredging, excavating, and painting) of buildings, structures, or other real property. Refer to your agency guidance for instructions on using the purchase card to buy construction services.
- k. **Continuity of Operations Program (COOP).** COOP is a form of contingency planning to ensure that the capability exists to continue essential functions across a wide range of potential emergencies, involving localized acts of nature, accidents, and technological and/or attack-related emergencies.
- l. **Convenience Checks.** Convenience checks are issued to authorized cardholders. Convenience checks are written against a cardholder's account and reconciled in the bank's EAS. Convenience checks are the least desirable alternative payment method, due to potential misuse. Pursuant to DCIA, convenience checks are not considered electronic

funds transfer (EFT) transactions. As a result, the convenience check can only be used when one of the waivers to EFT is satisfied. (For detailed waiver information, refer to Authorized Use of the Convenience Check in either the *Coordinators' Purchase Card Program Guide* or *Cardholder's Purchase Card Program Guide*).

- m. Controlled Substance.** Any drug or other substance, or immediate precursor, whose manufacture, possession, and use are regulated by the Government. Any potentially dangerous substance under the regulation of the Drug Enforcement Administration (DEA).
- n. Day.** "Day" means a calendar day, unless otherwise specified. When a time period specified by date or a number of days would end on a weekend or holiday, the time period is extended to expire on the next working day.
- o. Declining Balance Card.** Declining balance cards are a form of debit cards. Declining balance cards are a purchase card with a fixed value that reduces as purchases are made.
- p. "de minimus" Purchase.** A purchase of \$300 or less.
- q. Emergency.** An unexpected, serious occurrence or situation that would result in injury, financial or otherwise, to the Government.
- r. FAR.** The Federal Acquisition Regulation (FAR) establishes uniform policies and procedures for acquisition by all executive agencies (FAR 1.101). The FAR is located in Title 48, Chapter 1 of the Code of Federal Regulations.
- s. Fraud.** Fraud and fraudulent transactions are any acts of corruption or attempt to cheat the Government or corrupt the Government's agents, including but not limited to, the use of government charge cards to transact business that is not sanctioned, not authorized, not in one's official government capacity, not for the purpose for which the card was issued, or not as part of official government business.
- t. Hazardous Material.** Any chemical located, used, or stored at a USDA facility that either alone, or in combination with other substances, has the potential to threaten life, health, property, and/or the environment.
- u. Independent Receipt and Acceptance.** Having someone other than the cardholder sign for receipt and acceptance of goods or services. Further instructions are available in the *Cardholder's Purchase Card Program Guide* and *Coordinators' Purchase Card Program Guide*.
- v. Micro-Purchase.** Purchases at or below the micro-purchase threshold as defined in the FAR (FAR 2.101), or as otherwise provided by law.
- w. Misuse.** Use of a Federal charge card for other than the official government purpose(s) for which it is intended.

- x. Monthly Purchase Limit.** The maximum total dollar amount a cardholder is authorized to procure each month. This amount is similar to a "credit limit." It is established at the bank through the EAS. The dollar amount of the monthly limit is established by the AO conferring the purchase card on an employee. This limit applies to purchase cards and related alternative payment method transactions.
- y. Pre-paid Card.** A pre-paid card is a form of debit card. The card is programmed with a monetary value and has the capability to be reloaded. The pre-paid card may be used only for limited purposes or may be used for multiple purposes and at multiple points of sale, such as withdrawing cash and/or paying bills.
- z. Program Payment.** A payment that is paid directly by an agency to support a legislative mandated program to help a specific constituency that Congress has identified in legislation. Whatever payments go directly to support that program will be a program payment. The purchase card or alternative payment methods shall not be used to make program payments. Program payments are not payments for the procurement of supplies or services. USDA agencies are to identify the type of programs that fall in this category and provide the information to their cardholders.
- aa. Regulated Chemicals.** Chemicals covered under the Controlled Substances Act that have legitimate industrial applications.
- bb. Requisition.** A requisition is required for purchases at or below the simplified acquisition threshold (including purchases at or below the micro-purchase threshold). The requisition from an authorized official may be in the form of a written request, an e-mail, and/or document that identifies an official government need and funds for the specific supply or service, including blanket authorizations for routine purchases.
- cc. Single Purchase Limit.** The maximum dollar amount a cardholder is authorized for a single transaction using either the purchase card or related alternative payment methods. It is established at the bank through the EAS. For unwarranted officials, the single purchase limit is not to exceed the micro-purchase limit.
- dd. Warrant or Warrant Authority.** The contracting authority delegated to a USDA employee by a duly authorized appointing official in accordance with Federal and USDA regulations. The warrant, SF-1402, states the level of contracting authority delegated to an individual, including any limitations on that authority. Above the micro-purchase threshold, only individuals with warrant authority bind USDA contractually.
- ee. Waste.** Any activity taken with respect to a government charge card that fosters, or results in, unnecessary costs or other program inefficiencies.

8. AGENCY INTERNAL CONTROL REQUIREMENTS

In order to protect the government's interest, it is extremely important that agencies implement adequate internal controls to reduce waste, fraud, and abuse throughout the administration of this program. This includes, but is not limited to, ensuring that:

- a. Only authorized employees receive the card and are adequately trained in purchase card policies and procedures.
- b. Use of convenience checks issued on the purchase card is minimized.
- c. Appropriate administrative and/or disciplinary actions are properly considered and imposed, including financial reimbursement, for fraud and other blatant abuse of the purchase card and/or related alternative payment methods. This applies to cardholders as well as AO's. (See the *Coordinators' Purchase Card Program Guide* for details.)
- d. Prior approval and subsequent review of purchase card activity is obtained for purchases. This includes documenting independent receipt and acceptance of goods/services obtained with the purchase card or related alternative payment method. Purchases less than the "de minimus" amount (\$300) do not require independent receipt and acceptance.
- e. Agencies shall implement guidance for sensitive and pilferable property items that can be easily converted to personal use.
- f. Controls in this Section 8 apply to purchase cards and alternative payment methods.

By December 15 every year (or two weeks prior to the due dates established in OMB Circular A-123, Appendix B), each agency will report to OPPM the following information:

- (1) The number of cases reported to OIG or the APC for possible card misuse and/or abuse and
- (2) The number of administrative and/or disciplinary actions taken for card misuse, including deactivation/cancellation.

9. SPECIAL INSTRUCTIONS

- a. **Accountable/Sensitive Property.** In order to improve accountability and tracking of assets, as well as support the accuracy of USDA financial statements, warranted personnel are reminded that accurate, timely information regarding the purchase of accountable/sensitive property with the purchase cards needs to be maintained. Warranted personnel are to ensure that the appropriate Budget Object Classification Code (BOCC) is entered in Access® Online when reconciling a transaction involving the acquisition of accountable/sensitive property. A BOCC Quick Guide for accountable

property is available from the USDA Office of the Chief Financial Officer's website at: <http://www.usda.gov/ocfo/fasm/boc/propbocg.pdf>. Warranted personnel shall also provide any additional purchase information, beyond that contained in Access® Online, as needed by property management personnel, to ensure accurate data entry of accountable and sensitive property into the Property Management Information System (PMIS), Personal Property System (PROP).

- b. Business Size.** Micro-purchases may be made from any size business using the purchase card or related alternative payment methods (FAR 13.003(b) (1)). It is USDA policy to increase opportunities for small and small disadvantaged businesses. Cardholders are therefore encouraged to acquire from these sources whenever possible.
- c. Card/Related Alternative Payment Methods for Official Business Use Only.** The purchase card and related alternative payment methods are for official government business use only. Under no circumstances is the card or related alternative payment method to be used for personal purchases or as identification for personal purchases. Failure to properly use and safeguard the card and/or alternative payment method will result in revocation of card and related payment authority, and possible disciplinary action in accordance with applicable procedures. Refer to the *Coordinators' Purchase Card Program Guide* for details on administrative and/or disciplinary actions.
- d. Competition Above the Micro-Purchase Level.** Above the micro-purchase threshold, the purchase card is to be used as a payment mechanism, not as a contracting mechanism (CAAC Letter 99-2). Other than under existing contracts, COs and other warranted personnel using the purchase card to make purchases above the micro-purchase threshold shall obtain competitive quotations for all purchases pursuant to 41 U.S.C. § 428(a)(2).
- e. Competition At or Below Micro-Purchase Level.** At and below the micro-purchase threshold defined in FAR 2.101, cardholders are not required to seek competition as long as they believe the price is reasonable (FAR 13.202(a)(2)).
- f. Dormant Accounts.** Dormant accounts are accounts with no account activity over a period of six months. LAPCs shall review dormant accounts at least annually to determine whether they should be cancelled. A dormant account will be cancelled unless the AO provides a justification for the account to remain open.
- g. Environmentally Preferable Products and Services.** It is the policy of USDA to acquire environmentally preferable, including bio-based, products and services in accordance with the goals and policies of EO 13423, January 24, 2007. This preference extends to acquisitions at all dollar levels, including those accomplished using the purchase card. The USDA BioPreferred Program mandates the use of designated products unless certain conditions are met. Refer to the USDA website at <http://www.biopreferred.gov>.

- h. Ethics Requirements.** The Office of Government Ethics' Standards of Conduct for Executive Branch Employees apply to use of the purchase card and related alternative payment methods. Cardholders with questions regarding the propriety of a particular purchase should consult their LAPC or APC, servicing contracting office, or USDA's ethics office, for guidance and assistance prior to making the purchase.
- i. Federal Procurement Data System-Next Generation (FPDS-NG) Reporting.** For purchases that fall within the FPDS-NG reporting requirement (FAR Part 4.606), procurement cardholders shall manually enter the information in the FPDS-NG system within 3 days after obligation. Agencies shall provide guidance to non-procurement cardholders that purchase items that should be reported in FPDS-NG and establish internal validation procedures.
- j. Priority of Use - Purchase Card Versus Related Alternative Payment Methods.** The purchase card is the preferred method for making purchases within the simplified acquisition threshold. Cardholders shall use pre-paid cards or declining balance cards in preference to convenience checks. Convenience checks are the least desirable alternative payment method, due to potential misuse and the need for DCIA compliance.
- k. Prohibition on Acquiring Hazardous Items.** Cardholders other than authorized warranted USDA employees may not use the purchase card or related alternative payment methods to acquire firearms, ammunition, explosives, hazardous biological and radioactive substances, or regulated chemicals (as defined by DEA) without an agency waiver bestowed by the SPE. For such items, requisitions are to be prepared and forwarded to the servicing contracting office after obtaining agency required approvals and licenses (if any). Refer to your agency guidance for specific instructions.
- l. Prohibition on Acquiring Telecommunications.** USDA agencies shall not use the purchase card and/or the related alternative payment methods to acquire or pay for telecommunications services, supplies, or equipment in excess of \$350, except as provided in AGAR Advisory No. 58A.
- m. Prohibition on Writing Convenience Checks over \$2,500.** It is USDA policy that convenience checks shall not be issued over \$2,500. Warranted purchase cardholders that need to issue checks over \$2,500 due to a documented emergency shall secure approval from the APC. Refer to the definition of emergency in Section 7.
- n. Regulatory Applicability.** Use of the purchase card or related alternative payment methods must be consistent with the FAR, AGAR, FMR, FPMR, AGPMR, Office of Government Ethics' Standards of Conduct for Executive Branch Employees, OMB, and Agency regulations.
- o. Requirement to Timely and Accurately Approve Transactions by Cardholders.** It is USDA policy that cardholders shall approve their transactions no later than 30 days after a transaction appears in the bank's EAS, absent extenuating circumstances. Failure to timely and accurately approve transactions shall constitute grounds for management to

revoke purchase card and/or alternative payment method privileges, and possible disciplinary action. The account of any cardholder who fails to approve transactions within 60 days after each transaction appears in EAS will be deactivated. No account so deactivated may be re-activated until all transactions in the account are approved and a request to reinstate is submitted to the LAPC from the supervisor. For additional information on cardholder responsibilities, refer to the *Cardholder's Purchase Card Program Guide*. For additional information on LAPC responsibilities, refer to the *Coordinator's Purchase Card Program Guide*. It is also USDA's policy that only the cardholder shall reconcile their individual account. LAPCs shall monitor cardholder transactions on a monthly basis to ensure cardholders reconcile in a timely manner.

p. Requirement to Timely and Accurately Final Approve Transactions by AOs. It is USDA policy that AOs shall approve transactions selected for final approval no later than 30 days after the transaction has been selected. All card accounts assigned to an AO who fails to final approve the selected transactions within a total of 60 days will be deactivated, absent extenuating circumstances. These deactivated accounts may be re-activated after all transactions are final approved and a request to reinstate is submitted to the LAPC from the AOs' supervisor. Persistent failure to timely and accurately final approve transactions shall constitute grounds for management to revoke purchase card and/or alternative payment method privileges of all cardholders assigned to the AO and may subject the AO to possible disciplinary action. For additional information on AO responsibilities, refer to the *Approving Official's Purchase Card Program Guide*. For additional information on LAPC responsibilities, refer to the *Coordinator's Purchase Card Program Guide*. It is also USDA's policy that only the AO shall final approve their cardholder's account. LAPCs shall monitor AOs transactions on a monthly basis to ensure AOs final approve transactions in a timely manner. In the absence of the AO, this responsibility lies with the LAPC.

q. Use of Alternative Payment Methods for Employee Reimbursements. When it is not practicable to reimburse employees through direct deposit, alternative payment methods may be used for reimbursements for local travel and expenses that were previously addressed through the use of imprest funds, including:

- (1) Local taxicabs, subway or bus fares, parking, and local vehicle mileage incurred on official business;
- (2) Local and long distance official telephone calls;
- (3) Registration fees;
- (4) Tuition, books, and related expenses; and,
- (5) Supplies or services of an emergency nature, not to exceed \$500.

Employees shall submit either an approved SF-1164 (Claim for Reimbursement for Expenditures on Official Business), an approved SF-182 Request, Authorization, Agreement and Certification of Training), or other agency designated form, as appropriate, to request reimbursement of incurred expenses. Employees shall also submit a justification, signed by their supervisor, with any request for reimbursement for goods

or services purchased by the employee. Prior to purchasing, employees are expected to contact the cardholder servicing their office when they need to obtain supplies or services, except in emergencies or other situations in which it is not possible to contact the cardholder. Employees assume a risk when making purchases using their own private funds and could be financially liable for purchases made outside of federal procurement procedures.

- r. **User Alerts.** As part of oversight, user alerts are to be responded to in accordance with procedures in the *Cardholder's Purchase Card Program Guide*, *Approving Official's Purchase Card Program Guide*, and the *Coordinator's Purchase Card Program Guide*.
- s. **Year-End Reconciliation.** (1) **Fiscal Year-End** - At the end of each fiscal year, cardholders and AOs shall approve all transactions visible in EAS. Cardholders and AOs shall approve all transactions in accordance with agency procedures, but no later than 30 days after the end of the fiscal year.

(2) **Calendar Year-End** - Cardholders and AOs shall approve all transactions visible in EAS as of the last working day of each December. This approval assists the NFC to prepare year-end reports to the Internal Revenue Service. Approval must be completed no later than 15 days after the end of the calendar year. Failure to timely and accurately approve may cause inaccuracies in agency status of funds information. In addition, failure to cite correct budget object classification codes and, for convenience check recipients, Employer Identification Numbers (EINs) or Social Security Numbers (SSNs), may cause Form 1099s to erroneously be issued (or not issued) to USDA employees and vendors.

10. ACQUISITIONS OF PRODUCTS AND SERVICES SOLD BY MANDATORY SOURCES

Purchase cardholders are required, in accordance with procurement laws and Executive Branch policies, to give first priority to the purchase of products and services from Federal Prison Industries, Inc. (UNICOR) and from the AbilityOne Program participating non-profit agencies (FAR Subpart 8.6 and Subpart 8.7). This requirement generally does not apply to purchases under \$2,500 on the UNICOR Schedule (FAR Subpart 8.605(e)). It applies to purchases of any dollar value on the Committee for Purchase Procurement List (FAR Subpart 8.704(b)). The UNICOR Schedule of Products and Services can be found on the Federal Prison Industries website, www.unicor.gov. The AbilityOne Procurement List is maintained by the Committee for Purchase from People Who Are Blind or Severely Disabled and can be found at www.abilityone.gov

11. RESPONSIBILITIES AND PROCEDURES

The *Cardholder's Purchase Card Program Guide* provides the cardholder and AO with details of how the Purchase Card Program works and instructions for using the purchase card and related alternative payment methods. Refer to this guide for complete details on cardholder and AO purchasing and reconciliation responsibilities.

The *Coordinators' Purchase Card Program Guide* provides complete details on the roles and responsibilities of each individual involved in the Purchase Card Program from the administration of the Program to the cardholder. The following is a brief overview of each role in the USDA Purchase Card Program:

- a. **DPM.** The Department Program Manager is responsible for overall management of the purchase card program at the Departmental level.
- b. **APC.** The APC is responsible for the overall program in each agency and is the agency's contact with the DPM. Subject to the concurrence of the agency Head of the Contracting Activity Designee, APCs may appoint assistant, deputy, or regional APCs to assist with program management.
- c. **LAPC.** LAPCs are appointed locally by the Head of the Contracting Activity Designee, subject to the concurrence of the APC. Qualifications of an LAPC are listed in the *Coordinators' Purchase Card Program Guide*. The LAPC is responsible for the day-to-day operations of the purchase card program at each site. This includes account set up and maintenance, oversight of purchase card transactions, review of purchase limits, and deactivation or activation of cardholder accounts. LAPCs are to report incidents of misuse, abuse, waste, and fraud to the cardholder's supervisor for appropriate personnel action in accordance with Departmental guidelines. Refer to the *Coordinator's Purchase Card Program Guide* for additional guidance.
- d. **AO.** AO's determine who within their organizations should receive purchase cards and convenience checks (subject to the concurrence of the LAPC or APC). AOs determine the monthly purchase limits and recommend initial single purchase limits of cardholders within their organizations within the overall limits contained in section 15. An AO is the first line of control over the purchasing activity of cardholders in their units. AOs review cardholder purchase transactions to verify that they are necessary and proper and to verify that the supplies and services have in fact been received. AOs recommend appropriate personnel action in the event of purchase card or related alternative payment method abuse by a cardholder.
- e. **Cardholder.** The cardholder is the individual to whom a card is issued. After the cardholder has received training, this individual may purchase, within his or her delegated authority, supplies and services required by the Government. No other person is authorized to use the card and, if issued, alternative payment methods. Use of alternative payment methods may require additional authorization. No other person is

authorized to reconcile the cardholder transactions except the LAPC when a cardholder has separated from the agency or cannot reconcile due to an extenuating circumstances.

- f. Financial Point of Contact (FPOC).** These individuals review the accounting information obtained using the bank's EAS. Each agency will determine the organizational level appropriate for performance of this function.

In the event of a conflict between DR 5013-6 and the *Cardholder's Purchase Card Program Guide* or the *Coordinators' Purchase Card Program Guide*, the policies and procedures of this DR will govern.

- g. Billing Office Contact.** NFC is the designated Billing Office Contact for all USDA purchase card users and is responsible for payment of the electronic invoice and for scheduling payment with the U.S. Treasury.

12. SEPARATION OF DUTIES

Key duties and responsibilities are to be segregated among different roles to reduce the risk of error or fraud. This should include separating the responsibilities for making purchases, authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual shall control all key aspects of a transaction. (See 8d for an exception). Agencies shall implement internal controls to mitigate the risk of fraud, misuse, and abuse in accordance with the guidance in OMB Circular A-123, Appendices A and B. For detailed information, refer to either the *Coordinators' Purchase Card Program Guide* or *Cardholder's Purchase Card Program Guide*.

13. PURCHASE CARD OVERSIGHT

The DPM, APCs, LAPCs, AOs, FPOCs, USDA CCSC, and the OIG monitor purchase card transactions through tools such as the bank's EAS, statistical sampling, and query tool software. Cardholders are required to comply with any requests by the DPM, APC, LAPC, USDA CCSC, OIG, and other duly authorized organizations/individuals for information/investigations regarding purchases. Any inquiries into purchase card use from federal agencies external to USDA will be referred to the USDA CCSC for appropriate action.

AOs will monitor purchasing activity of cardholders who are assigned to them. AOs will perform an on-line review of all cardholder transactions that appear in the AO's Manager Approval Queue. AOs shall physically review the cardholders' documentation of all transactions selected for final approval and keep a copy of the documentation on file for a minimum of 3 years. AOs shall notify the cardholder's LAPC if they identify questionable transactions or possible misuse of the card and/or related alternative payment method. AOs

shall notify the cardholder's LAPC to cancel the card if the cardholder leaves the unit or no longer requires a card. Unless otherwise specified in agency procedures, AOs should collect and destroy purchase cards and/or unused checks from cardholders separating from their agency. AOs will confirm to the LAPC that the actual cards/checks assigned to the cardholders were destroyed.

14. DELEGATION OF AUTHORITY

- a. General.** In accordance with USDA Delegations of Authority (7 CFR 2.93), the Director of OPPM is delegated authority to promulgate Departmental policies, standards, techniques and procedures, including developing and administering principles and objectives supporting procurement, and serves as the USDA SPE. In relation to the USDA Purchase Card Program, the SPE delegates authority as described below.
- b. Micro-Purchases (\$3,000 or less).** The USDA SPE delegates micro-purchase procurement authority through this regulation. Letters of delegation from the Heads of Contracting Activities or their designees are unnecessary for delegated authority of \$3,000 or less (\$3,000 for supplies, \$2,000 for construction; \$2,500 for services and checks). AOs determine to whom cards and convenience checks will be issued. They can request authority for non-warranted personnel up to and including \$3,000 (\$3,000 for supplies; \$2,000 for construction; \$2,500 for services and checks). These requests shall be submitted to the cognizant LAPC for action. Issuance of the purchase card by the LAPC confers the authority up to the specified purchase limit in the bank's EAS. This authority terminates upon the employee's separation from their organization or cancellation of the card by the APC or LAPC.
- c. Micro-Purchases Over \$3,000.** The micro-purchase threshold, as defined in FAR 2.101 or as otherwise provided by law, may exceed \$3,000 under certain circumstances (e.g., purchases of supplies or services to facilitate defense against or recovery from terrorism). Heads of Contracting Activities or their designees may issue letters of delegation to non-warranted personnel authorizing them to purchase supplies or services up to the applicable micro-purchase threshold. The letter of delegation shall state the reason why the employee is authorized to make micro-purchases over \$3,000, and the employee's initial single purchase limit. The letter shall be submitted to the cognizant LAPC for action. Issuance of the purchase card by the LAPC confers the authority up to the specified purchase limits as reflected in the bank's EAS. This authority terminates upon revocation of the letter of delegation, the employee's separation from their organization, or cancellation of the card by the APC or LAPC.
- d. Simplified Acquisitions and Formal Contracts.** Only warranted USDA employees may purchase above the micro-purchase level. Warranted and approved individuals may use the purchase card and related alternative payment methods in accordance with FAR Parts 12, 12, 14, and 15, up to the single and monthly purchase limits established for their cards. Convenience checks are limited to \$2,500 except in bona fide emergencies. The

single purchase limit established for a warranted individual may not exceed the lesser of the amount of the individual's delegated authority or \$1 million. Requests to exceed \$1 million may be approved by the APC on a case-by-case basis. The single purchase limit may never exceed the warranted individual's delegated authority. Refer to DR 5001-1, Acquisition Workforce, Training, Delegation and Tracking Systems, and DR 5100-2, Real Property Leasing Officer Warrant System, for policy on contracting delegations of authority/warrants.

- e. **Changes to Spending Limits.** Changes to a cardholder's single purchase limit and/or monthly spending limit will be directed to the LAPC for action but must be approved by the cardholder's AO prior to implementation. The LAPC may reduce a cardholder's single purchase limit in order to ensure the integrity of the Purchase Card Program; e.g., in order to deactivate a cardholder account. Changes to a cardholder's single purchase limit and/or monthly spending limit will be completed through the bank's EAS.

15. AUTHORIZED USE OF CARDS AND RELATED ALTERNATIVE PAYMENT METHODS

There are specific guidelines on using the purchase card and related alternative payment methods. The *Coordinators' Purchase Card Program Guide* and *Cardholder's Purchase Card Program Guide* provide complete details as to what is or is not permitted. Failure to comply with these guidelines may result in loss of purchase card authority and ability to use other alternative payment methods as well as disciplinary action. The following is a brief overview and does not include all conditions relating to the purposes for which the card and related alternative payment methods may or may not be used:

- a. The purchase card may be used to purchase supplies (authorized supplies and equipment) and non-personal services in accordance with the limits established for a cardholder. It may also be used to acquire, on a temporary or short-term basis (up to 180 days), special purpose space including meeting and conference rooms, parking for government-owned or leased vehicles, or storage. The cardholder must ensure that there is adequate funding and the item is purchased at a fair and reasonable price. Program payments are prohibited.
- b. (1) Convenience checks may be utilized for purchases only when: (i) the vendor or merchant will not accept the purchase card, the debit or pre-paid card, or direct entry into their financial organization (see section 7k); and (ii) at least one of the DCIA waivers is satisfied. A list of the DCIA waivers is included in the *Coordinators' Purchase Card Program Guide* and the *Cardholder's Purchase Card Program Guide*. The use of convenience checks is appropriate only if there is no other way, under the circumstances of the required transaction, to accomplish the transaction unless payment is made by convenience check. Even if it could be argued that alternative payment methods would be less economical or efficient, checks may not be used unless there is no reasonable

alternative available. The following are considered appropriate uses for convenience checks:

- (a) Bona fide emergencies where the purchase card or one of the other alternative payment methods is not a viable solution.
- (b) Transactions with small and/or rural businesses which are not yet able to accept the purchase card. Cardholders are to demonstrate their inability to locate merchants that accept the purchase card.
- (c) Other properly approved transactions for which the imprest funds were previously used that cannot be addressed using the purchase card or another alternative payment method (see section 9).

(2) Annual Check Waiver Limit Process. Annual check writing waiver limits (caps) shall be established for each agency in coordination with OCFO and OPPM. Annual caps represent the amount required by an agency to pay for transactions that cannot be addressed other than by use of convenience checks. An agency shall estimate how much it would need annually for payments by convenience check and shall request a dollar limit based on this estimate. Agencies are to submit an annual check writing waiver request on a fiscal year basis (from October 1 to September 30) to USDA CCSC in accordance with the guidelines in Exhibit 1. Exhibit 1 sets out procedures for requesting waivers and criteria that will be considered in reviewing waivers requests. Additional waivers may be requested (and granted) for exigencies that could not be reasonably predicted by the requesting agencies. Such exigencies may include national emergencies, fires exceeding the predicted annual pattern or extent of wildfires, or urgent projects undertaken at the direction of the Secretary. Waivers may be revoked or modified if check writing authority is abused.

Annual waiver authority does not authorize using convenience checks for the following:

- (a) Payments when the vendor accepts the purchase card or other alternative payment methods for the supplies/services being acquired
- (b) Contract payments
- (c) Purchases in excess of \$2,500 (except in a bona fide emergency)
- (d) Indemnity payments
- (e) Program payments (agencies are to identify these payments in their supplements to the DR)
- (f) Imprest fund replenishment
- (g) Vehicle maintenance and repairs
- (h) Utility payments (except when UTVN cannot be used)
- (i) Telecommunications services
- (j) Telecommunication supplies or equipment in excess of \$350
- (k) Official travel
- (l) Local travel (except when reimbursement cannot be made through travel systems, time and attendance systems or USDA financial system)

Exhibit 2 is an outline of payment methods that may be used in lieu of convenience checks. Agencies may use these methods, or may implement any other alternative

methods which meet their needs, provided the selected methods are consistent with USDA acquisition and fiscal management policies and regulations.

- c. Alternative payment methods can be used to purchase only when the vendor does not accept the purchase card. The following are considered appropriate uses of alternative payment methods:

- (1) Disaster payments
- (2) Long-term (over 180 days) lease payments
- (3) Utility payments
- (4) Recurring purchases
- (5) Reimbursement for expenditures on official business if it is not practicable to make reimbursement through EFT.

- d. The purchase card and alternative payment methods shall not be used for any of the following: cash advances; establishment of imprest funds and maintenance or replenishment of cash balances in imprest funds; cash awards, money orders; salary payments; gift cards or any other method that could be converted to cash; long-term rental or lease of land or buildings; rental or lease of motor vehicles; official travel expenses (e.g., purchase of airline, bus, or train tickets; purchase of meals, lodging, or other travel-related subsistence costs); personal purchases; to acquire telecommunication resources in accordance with AGAR Advisory 58a; in lieu of the Fleet card (fuel and vehicle repair and maintenance); or hazardous items. (See *Special Instructions, Coordinators' Purchase Card Program Guide*, and the *Cardholder's Purchase Card Program Guide*).

16. COMPLEX REQUIREMENTS AND USE OF THE PURCHASE CARD

Only warranted USDA employees may use the purchase card for complex, unique, or high-risk actions, regardless of the dollar amount provided the amount is in accordance with cardholder's single purchase limit. Non-warranted cardholders must forward a requisition to the servicing contracting activity for review and approval. Possible actions include: (1) with the purchase of firearms, ammunition, explosives, hazardous biological substances, or radioactive agents; (2) complicated terms and conditions; (3) need for a contract in order to document mutual responsibilities of the parties; (4) mission criticality; (5) high performance risk; (6) similar factors indicating that the requirement is complex or unusual in nature; (7) architect and engineering (A&E) services; and (8) construction services over \$2,000.

17. TERMS AND CONDITIONS FOR PURCHASE CARD TRANSACTIONS

- a. **Micro-Purchases.** In accordance with FAR 13.201(d), clauses generally are not required for purchases at or below the micro-purchase threshold. FAR 13.201(d) takes precedence over any other FAR requirement to the contrary, but does not prohibit the use of any clause

b. Purchase Orders and Contracts. The CO will ensure that contracts and purchase orders in excess of the micro-purchase threshold include appropriate terms and conditions, clauses, and certifications, in accordance with the FAR and the AGAR. Contracts and purchase orders using the purchase card should also provide that:

- (1) The purchase card shall be accepted for all purchases and payments under the contract or order
- (2) Prices reflected in the order and/or Section B of the contract (as appropriate) reflect use of the purchase card
- (3) The contractor will not process a transaction for payment through the purchase card clearinghouse until: (i) the purchased supplies have been shipped or (ii) purchased services have been performed (For subscriptions, the contractor may process the transaction for payment upon receipt of the order.)
- (4) The Contractor will immediately credit the purchase cardholder's account for items and related charges for items returned as defective, unless the CO requests correction or replacement of a defective or faulty item

18. TRAINING REQUIREMENTS

All personnel (cardholders and AOs) must be trained in order to receive a purchase card and/or related alternative payment methods with micro-purchase authority. Non-warranted personnel must receive training in micro-purchase regulations and procedures and the bank's EAS before a card may be conferred. Individuals issued a card and their AOs will certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions.

Each Agency Head is responsible for ensuring participants are adequately trained in the USDA Purchase Card Program. Materials have been developed for use in training cardholders, APCs, LAPCs, AOs and others involved in using or monitoring purchase card transactions. These training materials are listed in the *Coordinators' Purchase Card Program Guide* and the USDA Charge Card Program website (<http://www.usda.gov/procuremnt/card/guide.htm>).

Warranted personnel will receive credit towards their maintenance training requirements based upon the duration of time spent receiving official training for coordinators and/or cardholders.

Refresher training will be required every three years for all participants of the USDA Charge Card Program. Participants will be notified via email when refresher training is needed.

19. USE OF THE CARD AND/OR RELATED ALTERNATIVE PAYMENT METHODS FOR DISASTER, CONTINUITY OF OPERATIONS, INDEMNITY, AND OTHER PROGRAM PAYMENTS

Disaster, indemnity, and other program payments are not payments for the procurement of supplies or services under the FAR. Agencies may not use the purchase card and/or related alternative payment methods to make disaster or continuity of operations (COOP) without receiving approval from the SPE.

20. INQUIRIES

Inquiries about the USDA Purchase Card Program should be directed through agency channels (the cognizant APC and LAPC) to the DPM in OPPM, at john.mccain@usda.gov. For technical inquiries, refer to the *Troubleshooting* section in either the *Coordinators' Purchase Card Program Guide* or *Cardholder's Purchase Card Program Guide* for specific details.

-END-

APPENDIX A

Convenience Check Waiver Request Procedures

Waiver Criteria:

Waivers from the prohibition against the use of convenience checks are appropriate only if there is no other way, under the circumstances of the required transaction, to accomplish the transaction unless payment is made by convenience check. An argument solely that the use of methods other than the convenience check would be uneconomical or inefficient is insufficient to support a requested waiver. Convenience checks may not be used, even if there is an applicable waiver in place, unless at least one of the waiver criteria in 31 CFR 208.4 is met.

Convenience checks may not be used for transactions unless the agency has adequate internal controls to ensure –

1. Checks in cardholders' possession are used only for purposes authorized by waivers granted to the agency;
2. Checks are safeguarded and accounted for;
3. Check transactions are reconciled promptly and audited periodically;
4. Check writing authority is limited to cardholders who have a need to write checks for purposes authorized by a waiver.

Waiver Request Procedures:

There are two types of waivers:

- a. **Annual Waiver Authority.** OPPM will establish for each requesting agency a dollar threshold below which agencies may use convenience checks without requesting a waiver. Thresholds will be set annually and will cover the period from October 1 to September 30. The dollar threshold is not based on anticipated reductions in check use. The threshold is zero-based and represents the amount an agency will spend in transactions that can only be accomplished using convenience checks.

Procurement and finance officials in the requesting agency shall conduct a review of alternative payment methods for categories of transactions accomplished with convenience checks. For each category that they determine that no alternative payment method can be used to accomplish the transaction(s); they should estimate the dollar volume of checks needed for the forthcoming year (October 1 to September 30). They should total the dollar amount for all identified categories to determine the amount of the agency's waiver request.

Annual waiver authority does not extend to purchases over \$2,500 except in bona fide emergencies. Accordingly, cardholders who need to make purchases over \$2,500 shall secure approval from their APC during the duration of the emergency. The cardholder shall document

such approval and maintain documentation with the purchase file(s). Unless it is not possible to contact the APC, approval should be secured before making purchases over \$2,500.

b. **Waivers for exigencies**. In the event of an unforeseen emergency, agencies may request authority to use convenience checks for transactions required to cope with the emergency. Agencies shall provide the following information with each request:

1. The requesting agency must demonstrate that all available EFT and Treasury check mechanisms have been evaluated and determined not to work for the specific class of transactions that require a waiver.
2. The transaction or class of transactions for which a waiver is needed. The transaction(s) should be described as specifically as possible.
3. The anticipated dollar volume of convenience checks projected to be written during the period of the waiver, if the waiver is granted.
4. Why, in the opinion of agency procurement and finance officials, there is no other way, under the circumstances of the required transactions, to accomplish the transactions unless payment is made by convenience check. Discuss whether merchants or payees have been asked to accept other payment methods such as the purchase card.
5. Internal controls in place or proposed to ensure –
 - a. Checks in cardholders' possession are used only for purposes authorized by waivers granted to the agency;
 - b. Checks are safeguarded and accounted for;
 - c. Check transactions are reconciled promptly and audited periodically;
 - d. Check writing authority is limited to cardholders who have a need to write checks for purposes authorized by a waiver.
6. Provide a list of units that require authority under the waiver to write convenience checks.

Agencies may request a waiver to use convenience checks by submitting a decision memorandum signed by the agency head to the Director of OPPM. Requests should be submitted no later than June 15 of each year. In addition to the requested amount, requests shall identify categories of transactions for which the waiver is needed and actions taken to find alternative sources that can accept the purchase card or other payment methods, identify payment methods that were unsuccessful; and why there is no other way to pay unless by convenience check.

Agencies may allow check use on an interim basis until they receive notice that the waiver request was approved or denied. However, there is no interim waiver if the request is a renewal or modification of a previously denied request or if Departmental Regulation 5013-6 prohibits use of convenience checks for the purposes specified. OPPM will consult with agencies to establish final waiver thresholds for each agency. Agencies may assume that their waiver requests have been approved if no response is received within 30 days to their request.

Revocation of Waivers: OPPM may revoke or reduce thresholds or waivers at any time for the following reasons:

- a. Use of convenience checks for purposes not authorized by the waiver;
- b. Use of convenience checks in excess of the waiver limit;
- c. Failure to reconcile convenience check transactions, including failure to fully describe transactions in the description or comments fields in the bank's EAS;
- d. Failure to safeguard convenience checks;
- e. Failure to comply with Departmental Regulation 5013-6; or,
- f. Failure to comply with agency internal control procedures.

OPPM will notify the agency of its intent to revoke or reduce a waiver 30 days before taking action. If the agency does not believe its waiver should be revoked, it may submit information to OPPM to show why the waiver should not be revoked. OPPM will consider information provided by the agency before revoking or modifying any waiver.

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APPENDIX B**Authorized Payment Methods**

<u>Categories of Transactions</u>	<u>Payment Methods</u>
Services and Rent	
Services and Rental of Personal Property	Purchase Card Debit/Pre-paid Card FFIS – Direct Entry Purchase Order
Rental of Real Property	Lease Debit/Pre-paid Card
Fuel and Vehicle Repairs & Maintenance	Fleet Card Debit/Pre-paid Card Purchase Card (over micro-purchase limit)
Foreign Acquisition	Purchase Card Debit/Pre-paid Card Purchase Order State Department Systems
Parcel Post & Postage	
Parcel Post	Purchase Card Debit/Pre-paid Card FFIS – Direct Entry Purchase Order
Postage	Purchase Card Debit/Pre-paid Card FFIS – Direct Entry Purchase Order
Travel, Training, Memberships, Honoraria, Registration	
Travel	Travel Cards Debit/Pre-paid Card
Local Travel Reimbursement	Travel Systems STAR (time and attendance) FFIS – Direct Entry Debit/Pre-paid Card
Memberships	Purchase Card FFIS – Direct Entry Debit/Pre-paid Card
Training	Purchase Card

Registration

Purchase Card
Debit/Pre-paid Card
FFIS – Direct Entry
FFIS – Direct Entry
Debit/Pre-paid Card

Honoraria

Telecommunications & Utilities
Telecommunication Services
Utilities

TELE System
UTVN System
Purchase Card (where accepted)

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